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SUBJECT: COSCOM SUSPENSION ENDS, BUT PROBLEMS REMAIN

REF: TASHKENT 214 AND PREVIOUS

Classified By: AMB. JON R. PURNELL, FOR REASONS 1.4 (B, D)

¶1. (C) Summary: Majority U.S.-owned cellular provider COSCOM returned to service at the end of a 10-day suspension. However, the company has only limited service, as crucial connections to the national cellular network remain severed. Important disputes with the state telecom agency remain unresolved, and COSCOM managers believe the government is continuing to muscle the company into accepting a buyout by Russian investors. COSCOM's managers acknowledge that they have exhausted virtually all recourse against the government's actions. In reality, COSCOM continues to survive only at the pleasure of the Uzbek government. It is likely that authorities are preserving the firm until its assets may be sold to a pre-selected bidder. End summary.

¶2. (SBU) On February 16, majority U.S.-owned cellular provider COSCOM returned to service at the end of a 10-day suspension. For the time being, service is only available for calls within the COSCOM network, not to land lines or customers of other cellular providers. Service is limited because Uzbektelecom, the monopoly operator of the national cellular network, disconnected COSCOM from the network at the same time that COSCOM's license suspension took effect (reftel). Those connections have not yet been restored.

¶3. (C) COSCOM's Amcit General Manager related to Poloff the content of his February 14 meeting with a deputy director of the state telecom agency. The official reportedly told COSCOM that the government telecom inspection service had given COSCOM a clean bill of health, and there are no further legal grounds to prevent the company from operating. COSCOM's General Manager noted, however, that certain crucial technical obstacles ordered by the agency remain in effect, severely restricting COSCOM's operations. The telecom agency has reportedly refused to issue COSCOM additional phone numbers for customers, saying that other providers purchased all available numbers in 2006. In addition, there is a dispute between COSCOM and the agency over permission to operate transmitting stations outside of Tashkent. The agency accuses COSCOM of illegally changing its name several years ago, a charge COSCOM denies. Finally, the government alleges that it accepted an unfair price when it sold its 26 percent stake in COSCOM in 2000. The most important obstacle is Uzbektelecom's severing of COSCOM's connection to the national cellular network. However, the telecom agency's deputy director reportedly told COSCOM that the company would need to resolve this dispute separately with Uzbektelecom, which is a separate entity. (Note: This may be true in a strictly legal sense, but in reality the telecom agency

controls Uzbektelecom. End note.)

14. (C) Cutting through the complexity, COSCOM's General Manager and the Chief Executive Officer of its Alexandria-based parent company, MCT Corporation, told Poloff that they view the government's actions as a crude attempt to muscle COSCOM into accepting a buyout by Russian investors (reftel). The General Manager said that the latest meeting with the telecom agency was an attempt to "gauge COSCOM's humility" -- i.e., to learn whether COSCOM had gotten the message that its continued existence depends on the goodwill of the Uzbek government. MCT's chief told Poloff that, if possible, the government wishes to send this message without damaging COSCOM irreparably. Otherwise, there will be no company left for the Russians to buy. However, he said, he believes that, if faced with no other choice, the Uzbeks will not shrink from destroying COSCOM.

15. (C) Comment: We see little reason for optimism. In a process hauntingly similar to the politically-motivated expulsions of more than a dozen U.S.-funded assistance organizations over the past two years, the Uzbek government's modus operandi has been to force COSCOM's American owners to abdicate on ostensibly legal grounds, alleging that the company has violated industry regulations. If the American owners get the message and leave "voluntarily," the government will likely deny all responsibility. Because the judicial and administrative systems of the Uzbek government are not, in reality, independent, COSCOM has no recourse if the authorities force the company to liquidate or sell to a pre-selected bidder.

PURNELL